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RHEBAAA/DEPT OF ENERGY WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEAIIA/CIA WASHDC
RHEFAAA/DIA WASHDC
RHEHNSC/NSC WASHDC 1156
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SUBJECT: KAZAKHSTAN: KOREAN PRESIDENT LEE'S STATE VISIT PROMOTES
TRADE AND INVESTMENT

REF: (A) SEOUL 0753 (B) ASTANA 0555 (C) ASTANA 0678

ASTANA 00000852 001.2 OF 002

11. (U) Sensitive but unclassified. Not for public Internet.

12. (U) SUMMARY: On May 12, South Korean President Lee Myung-bak arrived in Kazakhstan for a three-day state visit (reftel A). Lee and Kazakhstan's President Nazarbayev signed a series of documents during the visit, including a joint action plan to strengthen bilateral relations. On May 13, Kazakhstan hosted a business forum in Almaty for South Korean investors, who agreed in principle to invest in projects totaling more than \$5 billion over the next five years. Trade between the two countries totaled \$754 million in 2008, including \$330 million in exports from Kazakhstan and \$424 million in imports from South Korea. Overall, this represented a decline of 10.5% compared to 2007. The majority of Kazakhstan's exports to South Korea consist of raw materials such as uranium, ferroalloys, rolled plain carbon steel and iron, gold and copper. Imports from South Korea include mainly electronics, manufacturing equipment, and engineering products. South Korean companies are partners in more than 300 joint ventures in Kazakhstan. According to the National Bank, from 1993-2008, South Korean companies invested more than \$3 billion in Kazakhstan, or 3.6% of total foreign direct investment in Kazakhstan during that period. END SUMMARY.

ANOTHER BILLION-DOLLAR INVESTMENT PACKAGE FOR KAZAKHSTAN

13. (U) On May 13, Kazakhstani and South Korean businesses signed a number of agreements at a forum in Almaty that could bring more than \$5 billion of new investment to Kazakhstan. Kairat Kelimbetov, President of the Samruk-Kazyna National Welfare Fund, confirmed the figure of \$5 billion, but he said it covered future investments in Kazakhstan over the next two to five years. Kelimbetov announced that Samruk-Kazyna had signed memoranda of understanding (MOUs) with Korean companies Hyundai, KZPOS Company Ltd., Daewoo Engineering Company, and Bokwang Gid Company. Bokwang Gid intends to invest in

the uranium mining, coal mining, power generation, oil and gas, transportation, and engineering sectors. In addition, a number of Kazakhstani and Korean companies signed statements of intent to cooperate, including Kazakhmys and Samsung; KazMunaiGas and Hyundai; Kazakhstani national railroad company Temir Zholy and the Korean Railroad Corporation (KORAIL); and SaryArka CEC and Korea Resources Corporation. National telecommunications company Kazakhtelecom agreed to cooperate with the Korean scientific institution ETRI in the development of broadband Internet, WiBro global 3G, and e-learning services.

FURTHER DETAILS ON RAILWAY COOPERATION

¶4. (U) On May 14, KORAIL said it signed an agreement with Temir Zholy on areas of broad cooperation that it expects will lead to significant business opportunities in the future. The memorandum of understanding signed in Astana by KORAIL President Huh Joon-young and his Kazakhstani counterpart, Askar Mamin, calls for the joint development of transcontinental railway lines and the modernization of Kazakhstan's logistics infrastructure. It also includes provisions for KORAIL to participate in railroad construction and operations in Kazakhstan, as well as the joint development of information technology systems to improve rail operations. Huh said the deal is significant because "Kazakhstan is rich in natural resources and located along the main railway line crossing the Asian continent." He added that KORAIL plans to examine the feasibility of other projects, including introducing its KTX-II bullet trains, and will prepare a package deal with other South Korean companies to bid for future business. According to KORAIL, Kazakhstan plans to acquire 23,000 rail trucks and 500 locomotives, and refurbish 3,000 km of existing railways by 2013.

SOUTH KOREA'S RESOURCE DIPLOMACY

¶5. (U) On May 5, Kazakhstan's Ambassador to South Korea, Darkhan
ASTANA 00000852 002.2 OF 002

Berdaliyev, was interviewed by Liter newspaper about South Korea's "resource diplomacy." He said that Kazakhstan has become a strategic investment destination for Korean capital as global competition intensifies for limited natural resources. In particular, he cited the energy, agriculture, and mining sectors as areas of interest to Korean businesses. Berdaliyev said he expects future investment to follow the selection of Samsung C and T Corporation to construct a \$2.5 billion, 1,500 megawatt thermal power plant in Balkhash (reftel B). He said the project is strategically important to Kazakhstan because it will help ensure the country's energy security and offered it as proof that Kazakhstan continues to maintain an attractive investment climate despite the global economic crisis.

¶6. (SBU) COMMENT: The announcement that South Korean companies are prepared to invest as much as \$5 billion in Kazakhstan over the next five years comes close on the heels of China's \$10 billion loan-for-oil deal on April 16. Both announcements were tied to state visits, involve investments from state-owned and state-directed companies, and represent package deals in a wide range of sectors, including -- but not limited to -- the energy sector. These deals demonstrate that Kazakhstan continues to seek investment from all directions -- consistent with the country's multi-vector foreign policy -- and has no intention of putting all its eggs in one basket. END COMMENT.

MILAS